



ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

ABN 94 099 116 275

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CORPORATE DIRECTORY

Executive Chairman	Mr Kerry Smith
Managing Director	Mr Clinton Carey
Non-Executive Director	Mr Russell Krause
Non-Executive Director	Mr William Reinhart
Company Secretary	Mr Adrien Wing
Registered & Principal Office	Level 17, 500 Collins Street Melbourne VIC 3000
Auditors	RSM Australia Partners Level 21 55 Collins Street Melbourne VIC 3000
Solicitors	Quinert Rodda and Associates Suite 1 Level 6, 50 Queen Street Melbourne VIC 3000
Website Address	www.redskyenergy.com.au
Stock Exchange Listings	Red Sky Energy Ltd shares are listed on the Australian Securities Exchange under the code ROG
Share Registry	Link Market Services Limited Level 4, Central Park 152 St George Terrace Perth WA 6000 Telephone: + 61 8 9211 6670

EXECUTIVE CHAIRMAN'S ADDRESS

Throughout 2015 the oil and gas sector continued to experience a number of headwinds which led to oil and gas prices reaching their lowest point in 15 years. These headwinds are now manifesting in an increasing amount of bankruptcies, with more bankruptcies filed in January 2016 in the United States than in the past 3 years combined. Whilst 2015 has been a difficult year for the oil and gas industry it is these same headwinds that continue to provide an increasing amount of opportunities for Red Sky Energy Limited ("Red Sky"). The Red Sky business is to acquire profitable (in the current environment) US based, onshore oil and gas fields which have significant in ground reserves and are available to be purchased at a significant discount to the capital invested and the known recoverable resources.

This strategy heavily relies on a strong team both corporately to provide deal sourcing but as well as technically to provide an ability to quickly assess projects. Red Sky has continued to assemble a well-credentialed board and management team, who have the requisite skills to build a strong asset portfolio in this part of the cycle.

Assessing Opportunities

Sourcing – opportunities are being received from a number of avenues:

- Working processes are now established with a number of well-known law firms which focus on the oil and gas sector. The client base of these firms include the oil and gas companies themselves but also a number of local and regional banks which have become owners of assets themselves. This work is being undertaken with workout teams and bankruptcy teams whereby the Red Sky technical team is evaluating individual properties of companies which are either in or assessing bankruptcy. Through these discussions Red Sky is receiving primary access to many opportunities either to acquire directly or manage on a fee/equity carry basis. This is resulting in many more suitable deals being made available for Red Sky's team to evaluate.
- Receiving offers through networks and relationships established over decades of operating in the energy business.
- Now listed as an interested party with all oil and gas marketing companies.
- Now listed as an interested investment party with several independent brokers

Further Funding to expand asset portfolio:

- A Private UK Investment Fund has entered a non-binding MOU to fund properties that fit an agreed criteria on a joint venture (JV) basis. The JV is based on the investment fund providing the capital to acquire the properties and Red Sky providing the deal flow and management expertise. A preferential payment will be provided to the investment fund until the capital invested has been returned. The investable amount is initially up to \$50m USD across a number of assets with a minimum investment level of \$5m USD. This investment will incur no cost to Red Sky and will result in Red Sky having an interest in the invested oil or gas field.
- A further investment fund based in New York has now approved Red Sky's methodology for vetting deals and its criteria for valuing properties. It is willing to make loans on proven producing assets for between \$250K-\$5M USD. Red Sky is now actively assessing a number of profitable oil and gas fields which demonstrate a proven ability to repay any debt funding required to acquire the asset.
- Red Sky is also completing a convertible debt offer in Australia to raise up to \$600,000AUD in order to complete Gold Nugget acquisition and potentially another asset.

Due Diligence:

- Bill Reinhart is now working full time evaluating properties.
- Red Sky have assessed 26 properties which merited initial due diligence.
- Currently 5 individual prospects have passed initial DD and have progressed to the next stage of evaluation. Prices range from \$400K-\$50M.

I believe that as time advances with energy prices remaining at very low levels there will be an increasing amount of opportunities become available for Red Sky, however it is as important to select the right investment.

EXECUTIVE CHAIRMAN'S ADDRESS (Continued)

Cache Unit, Colorado

Significant work was completed on the Cache oil field during the course of the year, particularly in relation to permitting which has taken much longer than originally anticipated. However, given the pressure on the oil price at the end of 2015 even if Red Sky was in a position to complete a new well at Cache the board would have needed to consider very carefully if spending money completing a new well was the right strategy given the cost of acquiring existing production continues to come down (thus removing any development risk). With this in mind the board has continued to prepare Cache for additional wells to be completed but is now assessing other avenues to complete new wells which won't require Red Sky providing the necessary capital.

Work completed at Cache prior to a new well being completed at the appropriate time has included:

- Continuing discussions with a number of drilling companies and funds assessing the possibility of drilling up to three new wells at Cache in return for receiving preferential repayment of funds required to complete the new wells and then to receive an ongoing minority interest in the well.
- Minor environmental work and other work required by the Colorado Oil and Gas Conservation Commission ("COGCC") and the Bureau of Land Management ("BLM") on non-producing wells.
- A consulting petroleum engineer has now prepared an Authority for Expenditure and a Drilling Prognosis for a new well to be drilled in the Cache Unit.
- A permitting consultant has prepared two drilling permits for new wells in the Cache Unit. One permit, which is located on Fee land and governed by the State of Colorado, has been surveyed and filed and is awaiting approval. The second permit is on Ute Mountain Tribal land and is waiting to be surveyed and will then be filed.
- The #12 and #17 wells were plugged.
- The #15 well required further attention due to some minor casing leaks. A plugging procedure has been filed and recently approved by the EPA. Sundry Notices must now be sent to and approved by the BLM and the COGCC
- An Environmental Consultant was engaged to design and implement the reclamation of the #12 location on the Ute Mountain Tribal lands, this was overseen by the Bureau of Land Management and the Environmental Representative for the Utes.
- The Environmental Consultant presented a plan for the reclamation of the #17 location; this has been accepted by both the BLM and Ute's.
- The Environmental consultant presented a plan for the reclamation of the #15 location. This is still pending approval.

Gold Nugget, Wyoming

The company obtained an interest in the Gold Nugget Gas field ("Gold Nugget") through the payment of deposits of \$220,000USD during the year to assist in the development of this field. In December Red Sky signed an extension to the option agreement due to Red Sky's technical team becoming comfortable that it can get this field to produce consistently and in greater quantities than what was achieved historically. The Gold Nugget is a complex system but has excellent pressures and great reserves. As the winter subsides we will have much better access to the well and will be able to maximize its output; which at this time remains at between 100-300mcf of gas per day.

During the period:

- The 3-phase separator has been completely rebuilt.
- A new digital meter was installed.
- All new valves were installed at the wellhead and throughout the system.
- A new computer was installed to operate the automatic valves.
- A methanol injection system to prevent freezing was installed.
- A soap injection system to help the water to continue to unload has been installed.

The Red Sky Current Business Plan is still in full progress. I am confident that; given the current situation on the oil and gas industry the Company will be able to identify, evaluate, and purchase profitable assets with good growth potential, even in this low cost environment.

On behalf of the board I would like to thank shareholders for their support and patience, and look forward to increased interest and profitability in the Oil and Gas sector in 2016 and to building a profitable Red Sky Energy.

Best Regards,

Kerry W. Smith
Executive Chairman

DIRECTORS' REPORT

Your directors present their report consisting of Red Sky Energy Ltd (the Company) and Red Sky Energy Ltd and controlled entities (the Group) as at the end of, or during, the year ended 31 December 2015.

Directors

The following persons were directors of Red Sky Energy Ltd during the whole year and up to the date of this report, unless otherwise stated:

Mr Kerry Smith – Executive Chairman (appointed 31 July 2015)
Mr Clinton Carey – Managing Director (appointed 12 January 2015)
Mr Russell Krause – Non-Executive Director
Mr Adrien Wing – Non Executive Director (resigned 22 March 2016)
Mr William Reinhart – Non Executive Director (appointed 31 July 2015)
Mr Guy Le Page – Non Executive Chairman (resigned 2 February 2015)

Company Secretary

Mr Adrien Wing, since 3 February 2011.

Principal Activities

The principal activities of the Group during the year were exploration for economic deposits of oil and gas and the development of solar power energy projects (up until the disposal of the solar business).

Operating Results

The net operating loss of the Group for the year ended 31 December 2015 after income tax amounted to \$2,204,228 (31 December 2014: net operating loss \$1,807,819).

Review of Operations

A detailed review of the Group's activities is contained in the Executive Chairman's Address section of the Annual Report.

Significant Changes in the State of Affairs

During the year the company issued 3,696,911,313 fully paid ordinary shares. Refer to Note 17 of this financial report for details.

Events Subsequent to Balance Date

No matters or circumstances have arisen since 31 December 2015 that have significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future years.

Likely developments

The group will focus on the exploration for economic deposits of oil and gas. It is the intention of the Board to continue the strategy of acquiring an onshore US oil and gas portfolio due to the significant revisions in acreage valuations and the opportunity in which that brings.

Dividends Paid or Recommended

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend.

Environmental Issues

The Group's operations are subject to various environmental regulations. The majority of the Company's activities involve low level disturbance associated with its exploration drilling programs. As at the date of this report the group complies fully with all such regulations.

Information on Directors and Secretary

Names, qualifications, experience and special responsibilities of current Directors and Company Secretary:

Kerry Smith – Executive Chairman

Mr Smith has over 30 years of experience as an independent contract at Oil & Gas operator. He has experience in all areas of Oil & Gas production, ranging from wellhead to P&L responsibility. Mr Smith has experience in all areas of well exploration preparation, production enhancement and well stimulation design. Mr. Smith is skilled in developing and implementing work-over, completion, drilling and production operations. Mr Smith was appointed Executive Chairman on 31 July 2015.

Current Directorship and date of appointment:

Nil

Other Directorships within the last three years:

Nil

Russell Krause – Non-Executive Director

Mr Krause has over 25 years Executive Management and Director level experience in a range of corporate advisory, stockbroking and investment banking roles with some of Australia's leading financial services firms. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr Krause was appointed Non-Executive Director on 21 October 2014.

Current Directorship and date of appointment:

AusTex Oil Limited – appointed 23 October 2012, Carbine Tungsten Limited – appointed 30 June 2013.

Other Directorships within the last three years:

Nil

Clinton Carey – Managing Director

Mr Carey has over 20 years management and Director level experience in listed companies specializing in mining, oil and gas and technology. Mr Carey was a director of Roper River Resources Limited when it completed a reverse take over of Webjet Limited. He has worked for mining companies in Russia, Brazil, Canada, Australia and England. Mr Carey was appointed Director on 12 January 2015.

Current Directorship and date of appointment:

Nil

Other Directorships within the last three years:

Nil

William Reinhart – Non Executive Director

Mr Reinhart has nearly 40 years experience in geology and geophysics. Mr. Reinhart has extensive geologic experience in most major Oil & Gas provinces in North America. He has held senior positions with Mobil, both in exploration and producing units for over two decade. Mr. Reinhart has a BS and MS in geology from Washington State University with a primary focus on Mineralogy and Metallic ore deposits. Mr Reinhart was appointed Non-Executive Director on 31 July 2015.

Current Directorship and date of appointment:

Nil

Other Directorships within the last three years:

Nil

Adrien Wing – former Non Executive Director and continuing Company Secretary, B.Acc, CPA

Mr Wing is a Certified Practicing Accountant. He practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Securities Exchange as a corporate/accounting consultant and company secretary. Mr Wing was appointed Company Secretary on 3 February 2011 and Non-Executive Director on 7 March 2014. Mr Wing resigned as a Director on 22 March 2016.

Guy Le Page – former Non Executive Director, B.A., B.Sc. (Adel), B.App.Sc. (Hons) (Curt), M.B.A., (Adel) Grad. Dip. App. Fin & Inv. (FINSIA), MAusIMM, FFin

Mr Le Page resigned as a Director on 2 February 2015.

Meetings of Directors

The number of meetings held by the Company's board of directors and audit committee during the year and the number of meetings attended by each director were:

Director	Board meetings held	Board meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Russell Krause	14	14	1	1
Clinton Carey	14	14	1	1
Adrien Wing	14	14	1	1
Kerry Smith	2	2	1	1
William Reinhart	2	2	1	1
Guy Le Page	1	1	-	-

During the year 14 board meetings were held by the Company.

Securities held and controlled by Directors

As at the date of this report, the direct and indirect interests of Directors in shares and options of the Company were as follows:

Holder	Ordinary Shares Number	Option Number
Russell Krause	137,500,000	-
Clinton Carey	218,238,912	-
Kerry Smith	520,231,304	-
William Reinhart	-	-

Share options granted to directors or senior management

During or since the end of the financial year, no share options were granted by the Company to the Directors and Executives of the Group as part of their remuneration.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price of options	Expiry Date of Options
Red Sky Energy Ltd	60,000,000	Ordinary	2.25 cents	31 March 2016
Red Sky Energy Ltd	100,000,000	Ordinary	0.90 cents	20 December 2016

No ordinary shares were issued during the financial year and up to the date of this report on the exercise of options.

Remuneration Report (audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporation Act 2001.

This report outlines the remuneration arrangements in place for Directors and executives of Red Sky Energy Limited. This report has been set out under the following main headings:

- A. Principles Used to Determine the Nature and Amount of Remuneration
- B. Service Agreements
- C. Details of Remuneration
- D. Key Management Personnel Equity Holdings
- E. Share-based Compensation
- F. Other Transactions with Key Management Personnel
- G. Additional Information

A. Principles Used to Determine the Nature and Amount of Remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The board policy is to remunerate non executive Directors at fair market rates for comparable companies for the relevant time, commitment and responsibilities. The board determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum amount of fees that can be paid to non executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount approved is \$250,000. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Director's interests with shareholder interests the Directors are encouraged to hold shares in the Company and may be issued with additional securities as deemed appropriate.

The Board believes that the remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate for aligning Director and executive objectives with shareholder and business objectives. The board will continually develop new practices which are appropriate to the Company's size and stage of development.

Executive Officers are those directly accountable for the operational management and strategic direction of the Company and the consolidated entity. All contracts with Directors and executives may be terminated by either party with three months notice.

Fixed remuneration

Fixed remuneration consists of a base remuneration package, which includes Directors' fees (in the case of Directors), salaries, consulting fees and employer contributions to superannuation funds.

B. Service Agreements

The directors and key management personnel during the current and prior year included:

Directors

Mr Kerry Smith – Executive Chairman (appointed 31 July 2015)

- Director fees set at \$250,000 per annum.

Mr Russell Krause – Non Executive Director (appointed 21 October 2014)

- Director fees set at \$48,000 per annum from 1 May 2015.
- Payment of consulting fees of \$24,000 occurred during the year for additional corporate advisory services.

Mr Clinton Carey – Managing Director (appointed 12 January 2015)

- Managing Director fees set at \$200,000 per annum from 1 July 2015.
- Payment of consulting fees of \$24,000 occurred during the year for additional corporate advisory services.

Mr Adrien Wing – Non-Executive Director (appointed 7 March 2014, resigned 22 March 2016), Company Secretary (since 3 February 2011)

- Director fees set at \$48,000 per annum from 1 May 2015.
- Payment of consulting fees of \$24,000 occurred during the year for additional corporate advisory services.
- The company has an agreement with Northern Star Nominees Pty Ltd for company secretarial services at a rate of \$5,500 per month.

Mr William Reinhart – Non-Executive Director (appointed 31 July 2015)

- Director fees set at \$48,000 per annum.

Mr Gerrit de Nys – Non Executive Chairman (resigned 8 May 2014)

- Agreement commenced 16 October 2009, no termination date;
- Consulting fees (including directors' fees) of \$80,000 plus 9% superannuation (9.25% from 1 July 2013) to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

Mr Rohan Gillespie – Managing Director (resigned 21 October 2014)

- Agreement commenced 21 September 2009, no termination date;
- Consulting fees (including directors' fees) of \$280,000 plus 9% superannuation (from 1 October 2012) to 30 June 2014, revised to \$24,000 per annum from 1 July 2014, to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

Mr Guy Le Page – Non Executive Director (resigned 2 February 2015)

- Agreement commenced 18 February 2009, no termination date;
- Consulting fees (including directors' fees) of up to \$40,000 to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

C. Details of Remuneration

The key management personnel of Red Sky Energy Limited during the years ended 31 December 2015 and 2014 included all directors and executives mentioned above. There are no other executives of the Company which are required to be discussed.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees and bonuses;
- Post-employment benefits – including superannuation;
- Equity – share options and other equity securities; and
- Other benefits.

Nature and amount of remuneration:

2015		Short-term employee benefits	Post-employment benefits	Equity Performance related		Total \$
				Salary, consulting fees, director's fees \$	Superannuation \$	
Executive directors						
	K Smith ⁽¹⁾	104,167	-	-	-	104,167
	C Carey ⁽²⁾	167,742	-	-	60,000	227,742
Non Executive directors						
	G Le Page ⁽³⁾	2,000	-	-	-	2,000
	R Krause	64,500	-	-	60,000	124,500
	W Reinhart ⁽⁴⁾	16,000	-	-	-	16,000
	A Wing	64,452	-	-	60,000	124,452
	Total directors' compensation	418,861	-	-	180,000	598,861
Other key management personnel						
	A Wing	66,000	-	-	-	66,000
	Total other key management compensation	66,000	-	-	-	66,000
TOTAL		484,861	-	-	180,000	664,861

(1) K Smith was appointed as a Director on 31 July 2015.

(2) C Carey was appointed as a Director on 12 January 2015.

(3) G Le Page resigned as a Director on 2 February 2015.

(4) W Reinhart was appointed as a Director on 31 July 2015.

2014		Short-term employee benefits	Post-employment benefits	Equity Performance related		Total \$
				Salary, consulting fees, director's fees \$	Superannuation \$	
Executive directors						
	R Gillespie	146,000	12,600	-	-	158,600
Non Executive directors						
	G de Nys	28,387	2,725	-	-	31,112
	G Le Page	20,333	-	-	-	20,333
	R Krause	4,000	-	-	-	4,000
	A Wing	19,548	-	-	-	19,548
	Total directors' compensation	218,268	15,325	-	-	233,593
Other key management personnel						
	A Wing	66,000	-	-	-	66,000
	Total other key management compensation	66,000	-	-	-	66,000
TOTAL		284,268	15,325	-	-	299,593

D. Key Management Personnel Equity Holdings

As at 31 December 2015, the interests of the Directors in shares and options of the Company were:

Ordinary shares

Holder	Balance at beginning of the year	Granted as compensation	Received on satisfaction of performance rights	Net change other *	Final Interest	Balance at end of the year
Russell Krause	-	-	75,000,000	62,500,000	-	137,500,000
Adrien Wing	-	-	75,000,000	62,500,000	-	137,500,000
Clinton Carey	-	-	75,000,000	143,238,912	-	218,238,912
Kerry Smith	-	-	-	520,231,304	-	520,231,304
William Reinhart	-	-	-	-	-	-
Guy Le Page	-	-	-	-	-	-

* Net change other includes shares acquired or disposed of during the year.

Options

Holder	Balance at beginning of the year	Granted as compensation	Options exercised	Net other change	Final interest	Balance at end of the year	Vested and exercisable	Vested but not exercisable	Options vested during the year
Russell Krause	-	-	-	-	-	-	-	-	-
Adrien Wing	-	-	-	-	-	-	-	-	-
Clinton Carey	-	-	-	-	-	-	-	-	-
Kerry Smith	-	-	-	-	-	-	-	-	-
William Reinhart	-	-	-	-	-	-	-	-	-
Guy Le Page	15,000,000	-	-	-	15,000,000	-	-	-	-

E. Share-based Compensation

During the financial year ended 31 December 2015, there were 225,000,000 Performance Rights (2014: nil) granted to key management personnel. Refer to Note 18 for details.

F. Related party transactions with key management personnel

Related party transactions are set out in Note 22.

G. Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance.

In considering the Company's performance and its effect on shareholder wealth, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the progress on the Company's projects, results and progress of exploration and development activities, joint venture agreements, etc.

The Board also gives consideration to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure or contemplate payment of any dividends in the short to medium term given that all efforts are currently being expended to build the business and establish self-sustaining revenue streams.

END OF AUDITED REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company maintained an insurance policy which indemnifies the Directors and Officers of Red Sky Energy Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the Company. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

There were no non audit services provided during the year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires the consolidated entity's auditor, RSM Australia Partners to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2015. The written Auditor's Independence Declaration is attached at page 13 and forms part of this Director's Report.

This report is made in accordance with a resolution of directors.



Clinton Carey
Managing Director

31 March 2016

RSM Australia Partners

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www.rsm.com.au**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Red Sky Energy Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS****J S CROALL**

Partner

31 March 2016

Melbourne, Victoria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	Group	
		2015	2014
		\$	\$
Revenue from continuing operations	5	10,594	11,393
Administration expenses		(563,138)	(330,292)
Consultancy		(481,233)	(68,532)
Directors fees	6	(598,861)	(233,594)
Exploration cost written off		-	(37,687)
Legal fees		(163,570)	(22,905)
Cache Martini lease operating costs		(410,662)	-
Loss from continuing operations before income tax		(2,206,870)	(681,617)
Income tax benefit		-	-
Loss from continuing operations after income tax		(2,206,870)	(681,617)
Profit/(Loss) from discontinued operations	21	2,642	(1,126,202)
Net loss for the year		(2,204,228)	(1,807,819)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation		51,601	-
Total comprehensive loss for the year, net of tax		(2,152,627)	(1,807,819)
Net loss for the year is attributable to:			
Non-controlling interest		(205,331)	-
Equity holders of Red Sky Energy Ltd		(1,998,897)	(1,807,819)
		(2,204,228)	(1,807,819)
Total comprehensive loss is attributable to:			
Non-controlling interest		(206,101)	-
Equity holders of Red Sky Energy Ltd		(1,946,526)	(1,807,819)
		(2,152,627)	(1,807,819)
Basic and diluted (loss) per share – overall (cents per share)	19	(0.05)	(0.10)
Basic and diluted (loss) per share – continuing operations (cents per share)	19	(0.05)	(0.04)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Group	
		2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	8	140,646	391,724
Trade and other receivables	9	45,132	283,539
Prepayments	10	68,354	42,151
Total current assets		254,132	717,414
Non Current Assets			
Trade and other receivables	11	-	300,890
Other financial assets	12	342,779	40,000
Exploration and evaluation assets	13	4,258,541	-
Total Non-Current Assets		4,601,320	340,890
Total Assets		4,855,452	1,058,304
Current Liabilities			
Trade and other payables		66,050	10,900
Accrued expenses		38,343	66,528
Borrowings	16	109,906	-
Total Current Liabilities		214,299	77,428
Total Liabilities		214,299	77,428
Net Assets		4,641,153	980,876
Equity			
Issued share capital	17	35,118,120	31,820,725
Reserves	18	1,722,371	1,490,000
Accumulated losses		(34,328,746)	(32,329,849)
Equity attributable to the owners of Red Sky Limited		2,511,745	980,876
Non-controlling interest		2,129,408	-
Total Equity		4,641,153	980,876

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2015

	Notes	Group	
		2015 \$	2014 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,660,847)	(998,800)
Research and development grant		-	143,936
Interest received		3,896	7,241
Other income		2,208	4,093
Net cash used in operating activities	20	(1,654,743)	(843,530)
Cash flows from investing activities			
Exploration and evaluation expenditure		-	(16,687)
Proceeds from sale of interest in permits		250,000	1,000,000
Solar technology expenditure		-	(131,589)
Disposal of controlled entities		70,000	-
Acquisition of Soleir Limited		-	(146,200)
Loan and funds advanced – Cache Martini Project		(193,260)	(300,000)
Deposits paid		(306,189)	(20,000)
Net cash (used in)/provided by investing activities		(179,449)	385,524
Cash flows from financing activities			
Proceeds from issues of shares		1,591,676	299,000
Capital raising costs		(108,562)	(20,634)
Proceeds from borrowings		100,000	-
Net cash flows provided by financing activities		1,583,114	278,366
Net decrease in cash and cash equivalents		(251,078)	(179,640)
Cash and cash equivalents at the beginning of the financial year		391,724	571,364
Cash and cash equivalents at the end of the financial year	8	140,646	391,724

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Consolidated	2015				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of year	31,820,725	(32,329,849)	1,490,000	-	980,876
Loss for the year	-	(1,998,897)	-	(205,331)	(2,204,228)
Other comprehensive loss for the year	-	-	52,371	(770)	51,601
Total comprehensive loss for the year	-	(1,998,897)	52,371	(206,101)	(2,152,627)
Transactions with equity holders in their capacity as equity holders					
Acquisition of Cache Martini No.1 LLC	-	-	-	2,335,509	2,335,509
Share based payments	-	-	180,000	-	180,000
Issues of share capital	3,405,957	-	-	-	3,405,957
Equity raising costs	(108,562)	-	-	-	(108,562)
	3,297,395	-	180,000	2,335,509	5,812,904
Balance at the end of the year	35,118,120	(34,328,746)	1,722,371	2,129,408	4,641,153
Consolidated	2014				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of year	31,505,176	(30,522,030)	1,490,000	-	2,473,146
Loss for the year	-	(1,807,819)	-	-	(1,807,819)
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive loss for the year	-	(1,807,819)	-	-	(1,807,819)
Transactions with equity holders in their capacity as equity holders					
Issues of share capital	336,183	-	-	-	336,183
Equity raising costs	(20,634)	-	-	-	(20,634)
	315,549	-	-	-	315,549
Balance at the end of the year	31,820,725	(32,329,849)	1,490,000	-	980,876

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated. The financial report includes separate financial statements for Red Sky Energy Limited as an individual entity and the consolidated entity consisting of Red Sky Energy Limited and its subsidiaries.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Directors have reviewed and applied all new accounting standards and amendments applicable for the first time in the financial year commencing 1 January 2015, and determined that there was no material impact on the financial statements.

(i). Compliance with IFRSs

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial report of Red Sky Energy Limited comply with International Financial Reporting Standards (IFRSs).

(ii) Early adoption of standards

The Group has not elected to apply any early pronouncements.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iv) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies (refer note 3).

(v) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the recognised and settlement of liabilities in the normal course of business.

The consolidated entity and the Company incurred a loss of \$2,204,228 and \$1,946,526 respectively (2014: \$1,807,819 and \$1,807,819) and the consolidated entity had net cash outflows from operating activities of \$1,654,743 for the year ended 31 December 2015 (2014: \$843,530). Notwithstanding this, the Directors are satisfied that the consolidated entity will have sufficient cash resources to meet its working capital requirements in the future. As at 31 December 2015, the consolidated entity had net assets of \$4,641,153 (2014: \$980,876) and a working capital position of \$39,833 (2014: \$639,986). The Directors have reviewed the cashflow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the consolidated entity has the ability to meet its debts as and when they fall due. The Directors believe there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise including:

- Various alternatives to issue securities and raise funds; and
- Consideration of re-arranging agreements on existing projects through sale or deferring expenditure.

On the basis that sufficient cash inflows are expected to be raised from future capital raising (pursuant to ASX listing rules 7.1 and 7.1A) to fund further activities for at least 12 months after the date of this report, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate. Although the Directors believe they will be successful in these measures, there remains a material uncertainty that may cast significant doubt on the Company and its controlled entities' ability to continue as a going concern and therefore their ability to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Company or the consolidated entity does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Red Sky Energy Limited ("Company" or "parent entity") as at 31 December 2015 and the results of all subsidiaries for the year then ended. Red Sky Energy Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-Company transactions, balances and recognised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Red Sky Energy Limited.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to have joint operations.

The proportionate interests in the assets, liabilities, income and expenditure of joint operations have been incorporated in the financial statements under the appropriate headings.

(iii) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in the Statement of Comprehensive Income.

(c) Segment reporting

The Group currently operates in the oil and gas industry. Before the disposal of Soleir Pty Ltd the Group also operated in the solar power energy industry segment.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised as follows:

(i) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Revenue recognition (continued)

(ii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement between thirty (30) and ninety (90) days from the date of recognition.

(f) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date (ie. The date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(h) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Proceeds from the sale of exploration permits or recoupment of exploration costs from farm-in arrangements are credited against exploration costs previously capitalised. Any excess of the proceeds over costs recouped are accounted for as a gain on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Oil and gas properties

Following commencement of production activities all acquisition, exploration, evaluation and development expenditure in relation to an area of interest is accumulated into an oil and gas property.

When further development expenditure is incurred in respect of a property after the commencement of production, such expenditure is carried forward as part of the cost of that property only when substantial economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of the cost of oil and gas properties is provided on the unit-of-production basis over the proved developed reserves of the field concerned with separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable reserves. Amortisation is charged from the commencement of production.

The net carrying value of each property is reviewed regularly for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the asset does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount is the greater of fair-value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(j) Intangibles assets

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs will be amortised on a systematic basis based on the future economic benefits over the useful life of the project when revenue is earned.

(k) Fair value estimation

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired at fair value. The fair value of financial assets and financial liabilities must be estimated for recognition and measured or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date, when it is probable that settlement will be required and they are capable of being measured reliably. The calculation of employee benefits includes all relevant on-costs and is calculated as follows at the reporting date.

(i) Wages and Salaries, Annual Leave and Long Service Leave

Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short term and long term benefits, placing emphasis on when the benefit is expected to be settled. Short term benefits provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be settled within 12 months, and are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability where the employee has a present entitlement to the benefit. A non-current liability would include long service leave entitlements accrued for employees with less than 10 years of continuous service who do not yet have a present entitlement.

(ii) Accumulated superannuation contribution plans

Obligations for contributions to accumulated superannuation contribution plans are recognised as an expense as incurred.

(o) Share Based Payments

The Group may at times provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees and consultants render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black & Scholes method. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(q) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Risk Exposures and Responses

Market Risk

Interest rate risk

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

At reporting date, the Group had the following financial assets exposed to variable interest rates not designated in cash flow hedges:

	Group	
	2015 \$	2014 \$
Security deposits	40,599	40,000
Cash and cash equivalents (interest-bearing accounts)	140,646	391,724
Net exposure	181,245	431,724

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At the reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgments of reasonably possible movements:		
Post tax profit – higher / (lower)		
+ 0.5%	906	2,159
- 0.5%	(906)	(2,159)
Equity – higher / (lower)		
+ 0.5%	906	2,159
- 0.5%	(906)	(2,159)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. FINANCIAL RISK MANAGEMENT

Commodity Price and Foreign Currency Risk

The Group's exposure to commodity price is minimal at present.

Foreign currency risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured, monitored and managed using cash flow forecasting. The consolidated entity does not enter into any hedging contracts. The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities the reporting date was minimal.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group						
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	5+ Years	Total contractual cash flows	Carrying amount
	\$	\$	\$			\$	\$
As at 31 December 2015							
Non-derivatives							
Non-interest bearing							
Trade and other payables	66,050	-	-	-	-	66,050	66,050
Accrued expenses	38,343	-	-	-	-	38,343	38,343
Interest bearing							
Borrowings	-	-	109,906	-	-	109,906	109,906
As at 31 December 2014							
Non-derivatives							
Non-interest bearing							
Trade and other payables	10,900	-	-	-	-	10,900	10,900
Accrued expenses	66,528	-	-	-	-	66,528	66,528

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

2. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks, security deposits and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades mainly with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securities it trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

As disclosed in Note 12, deposits of \$302,180 (2014: \$nil) have been paid on the Gold Nugget gas field in the United States. These deposits are security for Director loans of \$100,329 (2014: \$nil) as disclosed in Note 16.

There are no other significant concentrations of credit risk within the Group.

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure, debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position are carried at amortised cost or fair value. These amounts represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Fair Value Measurement for Non-Financial Assets

Accounting Standard AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2015 the Group does not carry any assets or liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position (31 December 2014: None).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Exploration expenditure

Expenditure and development expenditure that does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable reserves are not assessed as being present, this expenditure will be expensed to the Income Statement.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(ii) Intangible assets – solar power energy projects

The Group tests each reporting period, or more frequently if events or changes in circumstances indicate impairment, whether intangible solar power energy assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

4. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Based on these reports, management has determined that the Company has one operating segment, being the exploration and development of properties for the development of oil and gas and until the sale of the Soleir subsidiary - solar energy.

Types of products and services

The Group currently has no revenue from products or services.

Major customers

The Group has no reliance on major customers.

Geographical areas

The Group's exploration assets are located in the United States.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. REVENUE

	Group	
	2015	2014
	\$	\$
Interest income	8,386	7,300
Other income	2,208	4,093
Total	10,594	11,393

6. EXPENSES

	Group	
	2015	2014
	\$	\$
Loss from continuing operations before income tax has been determined after including directors fees as follows:		
Salaries	598,861	218,268
Superannuation	-	15,325
Total	598,861	233,593

7. INCOME TAX

	Group	
	2015	2014
	\$	\$

The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:

Loss before tax	(2,204,228)	(1,807,819)
Income tax benefit calculated at 30%	(661,268)	(542,346)
Effect of expenses that are not deductible in determining taxable profit	260,351	79,028
Temporary differences and tax losses in the current year for which no deferred tax asset has been brought to account	400,917	463,318
Income tax benefit	-	-

Deferred tax assets:		
Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(q) occur:	7,239,216	7,159,780

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. CASH AND CASH EQUIVALENTS

	Group	
	2015	2014
	\$	\$
Cash at bank	140,646	391,724

9. TRADE AND OTHER RECEIVABLES

	Group	
	2015	2014
	\$	\$
Current		
Receivable – Sale of interests in permits	-	250,000
Other Receivables	45,132	33,539
	45,132	283,539

10. PREPAYMENTS

	Group	
	2015	2014
	\$	\$
Current		
Prepaid expenses	68,354	42,151

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. TRADE AND OTHER RECEIVABLES

	Group	
	2015	2014
	\$	\$
Loan to Monument Global Inc. and Cache Martini No. 1 LLC	-	300,890

In November 2014, the Company advanced the principal sum of \$300,000 to both Monument Global Inc. and Cache Martini No 1 LLC ("the Vendors") jointly and severally. Interest of \$890 accrued up until 31 December 2014.

The Company acquired a 50% interest in the Cache Oilfield oil and gas project ("the Cache Project") owned and operated by the Vendors located in Montezuma County, Colorado, USA.

The loan, which was interest bearing, was used for the purposes of an oil improvement program and offset against the cash portion of consideration payable by the Company to acquire the Cache Project.

12. OTHER FINANCIAL ASSETS

	Group	
	2015	2014
	\$	\$
Security deposits	40,599	40,000
Gold Nugget Deposits	302,180	-
	342,779	40,000

13. EXPLORATION ASSETS

	Group	
	2015	2014
	\$	\$
Opening balance	-	-
Acquisition of Cache Martini No.1 LLC (i)	4,258,541	-
Additions	-	37,687
Write offs	-	(37,687)
Exploration Assets	4,258,541	-

(i) The acquisition did not meet the requirements of a business combination. The amount represents the fair value of the exploration assets acquired at the date of purchase.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. INTANGIBLE ASSETS

	Group	
	2015 \$	2014 \$
Solar Technology Development		
Opening balance	-	893,255
Additions	-	131,589
Impairment of intangible assets	-	(1,024,844)
Closing balance	-	-

15. INVESTMENT IN CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2015 %	2014 %
Cydonia Resources Pty Ltd	Australia	100	100
Norwest Hydrocarbons Pty Ltd	Australia	100	100
Surat Resources Pty Ltd	Australia	100	100
Red Sky NT Pty Ltd	Australia	100	100
Summerland Way Energy Pty Ltd	Australia	100	100
Soleir Pty Ltd	Australia	-	100
Soleir Dubbo Pty Ltd	Australia	-	100
Soleir Energy Services Pty Ltd	Australia	-	100
Soleir Energy Trading Pty Ltd	Australia	-	100
Rhythm Section Investment Management Pty Ltd	Australia	-	100
Red Sky Gold Nugget LLC	United States	100	-
Red Sky No. 1 LLC	United States	100	-
Cache Martini No. 1 LLC	United States	50	-

16. BORROWINGS

	Group	
	2015 \$	2014 \$
Director loans (i)	100,329	-
Loan for insurance funding	9,577	-
	109,906	-

(i) These loans are secured over the Group's deposits for the Gold Nugget gas project (refer to Note 12).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

17. ISSUED CAPITAL

(a) Share Capital

Ordinary shares	Group	
	2015 \$	2014 \$
5,798,056,921 fully paid ordinary shares (31 December 2014: 2,101,145,608)	35,118,120	31,820,725
Movements during the year:		
Beginning of year	31,820,725	31,505,176
Shares issued during the prior year	-	336,183
150,000,000 shares issued @ \$0.0008	120,000	-
179,770,878 shares issued @ \$0.0008	143,817	-
1,742,000,000 shares issued @ \$0.001 - placement	1,742,000	-
1,400,140,435 shares issued @ \$0.001	1,400,140	-
225,000,000 shares issued in satisfaction of performance rights	-	-
Equity Raising Expenses	(108,562)	(20,634)
	35,118,120	31,820,725

(b) Options

Expiry Date	Exercise Price (cents)	Number on issue – 2014	Granted during year	Lapsed during year	Exercised during year	Number on issue - 2015
31/03/2016	2.25	60,000,000 (i)	-	-	-	60,000,000
20/12/2016	0.90	100,000,000 (ii)	-	-	-	100,000,000
Total Options Issued		160,000,000	-	-	-	160,000,000

(i) Options issued to non-executive directors in 2011 following shareholder approval on 21 March 2011 (Mr Gerrit de Nys 37,500,000, Mr Guy Le Page 15,000,000 and Mr Murray Durham 7,500,000).

(ii) Options issued to consultants as follows:

Granted	Grant Date	Vesting Date	Value at Grant Date	Exercise Price	Expiry Date
20,000,000	28 Nov 12	28 Nov 12	\$0.016	\$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	\$0.016	\$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	\$0.016	\$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	\$0.016	\$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	\$0.016	\$0.009	20 Dec 16
100,000,000					

The fair value of the share options granted is estimated as at the date of grant using a Black Scholes model taking into account the terms and conditions upon which the options were granted. The model inputs used an expected volatility of 100%, a risk free rate of 2.76%, and a share price at the grant date of 0.3 cents.

(iii) The vesting conditions of these Options are subject to various performance criteria on Soleir Solar Projects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. RESERVES

	Group	
	2015 \$	2014 \$
Share based payments reserve	1,670,000	1,490,000
Foreign currency translation reserve	52,371	-
	1,722,371	1,490,000
Opening balance	1,490,000	1,490,000
Movements during the year:		
Share based payments – performance rights issued (i)	180,000	-
Foreign currency translation	52,371	-
	1,722,371	1,490,000

- (i) During the year, Mr. Clinton Carey, Mr. Russell Krause and Mr. Adrien Wing each received 75,000,000 shares (225,000,000 shares issued in total) as a result of the milestone conditions of the Performance Rights held by each Director being met. Each Performance Right was valued at 0.08 cents (\$180,000 in total) based on the most recent share placement price of the Company shares at the time the Performance Rights were approved. The Directors believe this is a reasonable basis upon which to value the remuneration benefit received. These Performance Rights were approved by shareholders at a General Meeting held on 11 March 2015.

Nature and purpose of reserves:

Share based payments reserve records the value of options and performance rights issued which have been taken to expenses.

Foreign currency translation reserve recognises exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

19. LOSS PER SHARE

	Group	
	2015 \$	2014 \$
Reconciliation of earnings to net loss		
Net loss	(1,998,897)	(1,807,819)
Profit/(Loss) from discontinued operations	2,642	(1,126,202)
Net loss from continuing operations	(2,001,539)	(681,617)
Calculation of basic and dilutive EPS – overall (cents)	(0.05)	(0.10)
Calculation of basic and dilutive EPS – continued operations (cents)	(0.05)	(0.04)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	Number 3,706,859,298	Number 1,735,028,181

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

20. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss from continuing operations after income tax

	GROUP	
	2015 \$	2014 \$
Loss after income tax	(2,204,228)	(1,807,819)
Non cash flows in loss:		
Share based payments	576,998	37,183
Disposal of controlled entities	(33,203)	-
Exploration costs written off	-	37,687
Impairment of intangible assets	-	1,024,844
Changes in assets and liabilities:		
Increase/(decrease) in trade creditors and accruals	36,871	(147,607)
(Increase)/decrease in trade and other receivables	(15,415)	10,823
(Increase)/decrease in prepayments	(15,167)	1,359
(Increase) in other financial assets	(599)	-
Cash flows (used in) operations	(1,654,743)	(843,530)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. DISCONTINUED OPERATIONS

On 8 January 2014, the Group agreed to sell its 20% interests in permits PEL 457 and 479 to ERM Gas for \$1.25m. During the current year the Group sold its interests in the solar power energy projects and an AFSL licence held. Details in relation to these discontinued operations are disclosed below:

	GROUP	
	2015 \$	2014 \$
Revenue from discontinued operations	-	144,767
Profit of disposal of controlled entities	33,203	-
Administration expenses	(20,561)	(29,777)
Legal fees	(10,000)	(17,375)
Consultancy	-	(198,973)
Impairment of intangible assets	-	(1,024,844)
Profit/(Loss) after income tax	2,642	(1,126,202)
Income tax expense	-	-
Profit/(Loss) after income tax from discontinued operations	2,642	(1,126,202)
Cash flow information:		
Net cash outflow from operating activities	(20,561)	(246,125)
Net cash inflow from investing activities	320,000	1,000,000
Net increase in cash and cash equivalents from discontinued operations	299,439	1,000,000
Statement of financial position:		
Carrying amount	-	353,293

22. RELATED PARTY TRANSACTIONS

(a) Parent entity

Red Sky Energy Ltd is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 15.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 23 and the Remuneration Report in the Directors' Report. The transactions in the table below in Note 22(d) do not include amounts paid to key management personnel for remuneration.

(d) Transactions with related parties

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. RELATED PARTY TRANSACTIONS (Continued)

Entity		Amount \$	Relationship
Energy Infrastructure and Resources Ltd	2015	-	Energy Infrastructure and Resources Ltd invoiced the Company consulting charges for management of solar technology and exploration programs. Rohan Gillespie is a director of Energy Infrastructure and Resources Ltd and was a director of Red Sky Energy Ltd until 21 October 2014.
	2014	184,580	
Monument Global Resources, Inc.	2015	163,782	Monument Global Resources, Inc. invoices the Group administration charges for management of the Cache Martini oil field. Kerry Smith is a director of Monument Global Resources, Inc. and is a director of Red Sky Energy Ltd from 31 July 2015.
	2014	-	

Under the terms of acquisition of 50% of Cache Martini, to give effect to arrangements between the Vendors, Cache and Cyprus Investments Pty Ltd (a related entity of Mr Clinton Carey) for the provision of advisory services made prior to the Company's entry into the Transaction, 56,619,131 shares at a deemed price of 0.1 cents per share issued to the Vendors as part of the Acquisition Consideration were to be transferred to Cyprus Investments by the Vendors to satisfy prior obligations of the Vendors to Cyprus Investments in respect of the provision of advisory services by Cyprus Investments under arrangements made between the Vendors, Cache and Cyprus Investments prior to the Company's entry into the Transaction.

(e) Details of the amounts accrued but unpaid at the end of the year are as follows:

Cyprus Investments Pty Ltd (a related entity of Mr Clinton Carey) was owed \$20,000 (2014: \$nil) for outstanding director fees.

Snowcap LLC (a related entity of Mr Kerry Smith) was owed \$19,043 (2014: \$nil) for outstanding director fees.

(f) Loans to/from related parties

Mr Clinton Carey and Mr Adrien Wing provided a loan of \$50,000 (total of \$100,000) to the Company during the year. A repayment date of 23 December 2016 exists on the loans. Interest is payable at 15% per annum (\$329 accrued as at 31 December 2015). The loans are secured over the Group's deposits for the Gold Nugget gas project (refer to Note 12).

(g) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of the names and positions of key management personnel and their remuneration are provided in the remuneration report in the Directors' Report. Summary disclosures are as follows:

	Group	
	2015 \$	2014 \$
Key Management Personnel Compensation		
Short-term employee benefits	484,861	284,268
Post-employment benefits	-	15,325
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	180,000	-
Total	664,861	299,593

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

24. REMUNERATION OF AUDITORS

	GROUP	
	2015 \$	2014 \$
Amounts received or due and receivable by RSM Australia Partners for:		
Audit and audit review services	32,400	42,400
Other non audit services	-	-

25. NON-CONTROLLING INTERESTS

Information material to the consolidated entity in relation to non-controlling interests are set out below:

	Principal Place of Business / Country of Incorporation	Ownership Interest	
		2015 %	2014 %
Cache Martini No. 1 LLC	United States of America	50	-

Summarised financial information is as follows:

Summarised statement of financial position

	Cache Martini No. 1 LLC	
	2015 \$	2014 \$
Cash and cash equivalents	275	-
Non-current assets	4,258,541	-
Total assets	4,258,816	-
Total liabilities	-	-
Net assets	4,258,816	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. NON-CONTROLLING INTERESTS (Continued)

Summarised statement of profit or loss and other comprehensive income

	Cache Martini No. 1 LLC	
	2015	2014
	\$	\$
Revenue	-	-
Lease operating expenses	(410,662)	-
Loss before income tax	(410,662)	-
Income tax expense	-	-
Loss after income tax	(410,662)	-
Other comprehensive income	(1,541)	-
Total comprehensive loss	(412,203)	-

Other financial information

	Cache Martini No. 1 LLC	
	2015	2014
	\$	\$
Net cash used in operating activities	(410,662)	-
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Net (decrease) in cash and cash equivalents	(410,662)	-
Loss attributable to non-controlling interests	(205,331)	-
Accumulated non-controlling interests at the end of the reporting period	(205,331)	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. PARENT ENTITY DISCLOSURES

(a) Summary financial information

	Parent	
	2015 \$	2014 \$
Financial Position		
Assets		
Current assets	253,008	610,195
Non-current assets	2,528,036	501,803
Total assets	2,781,044	1,111,998
Liabilities		
Current liabilities	214,299	76,122
Non-current liabilities	55,000	55,000
Total liabilities	269,299	131,122
Net assets	2,511,745	980,876
Equity		
Issued share capital	35,118,120	31,820,725
Option expense reserve	1,670,000	1,490,000
Accumulated losses	(34,276,375)	(32,329,849)
Total equity	2,511,745	980,876
Financial Performance		
Loss for the year	(1,946,526)	(1,807,819)
Other comprehensive income	-	-
Total comprehensive income	(1,946,526)	(1,807,819)

(b) Guarantees

Red Sky Energy Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

(c) Other Commitments and Contingencies

Red Sky Energy Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

27. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since 31 December 2015 that have significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

28. COMMITMENTS AND CONTINGENCIES

The consolidated entity has no commitments or contingencies.

29. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The group's assessment of the impact of applicable new standards and interpretations is set out below:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2014-1	<i>Amendments to Australian Accounting Standards</i>	Part D: Consequential Amendments arising from AASB 14	Part D – 1 January 2016	No significant impact expected
AASB 2014-3	<i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	Amends AASB 1 & 11	1 January 2016	No significant impact expected
AASB 2014-4	<i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	Amends AASB 116 & 138	1 January 2016	No significant impact expected
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	Amends AASB 1, 127 & 128	1 January 2016	No significant impact expected
AASB 2014-10	<i>Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Amends AASB 10 & 128	1 January 2016	No significant impact expected
AASB 2015-1	<i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards</i>	Amends AASB 1, 2, 3, 7, 11, 110, 119, 121, 133, 134, 137 & 140	1 January 2016	No significant impact expected

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2015-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	Amends AASB 7, 101, 134 & 1049	1 January 2016	No significant impact expected
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality</i>	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	1 January 2016	No significant impact expected
AASB 15	<i>Revenue from Contracts with Customers</i>	This standard establishes a new control-based revenue recognition model which changes the basis for deciding whether revenue is to be recognised over time or at a point in time and provides new and more detailed guidance on specific topics and expands disclosures about revenue.	1 January 2018	No significant impact expected
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends AASB 15	1 January 2018	No significant impact expected
AASB 9, and relevant amending standards	<i>Financial Instruments (December 2010)</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2018	No significant impact expected.
AASB 2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010.	1 January 2018	No significant impact expected
AASB 2014-8	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	Amends AASB 9	1 January 2018	No significant impact expected

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

29. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Continued)

AASB 2015-5	<i>Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i>	This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	No significant impact expected
AASB 2014-6	<i>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</i>	This amending standard defines bearer plants, and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 Property, Plant and Equipment.	1 January 2016	No significant impact expected

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 44, and the remuneration disclosures contained within the Remuneration Report, are in accordance with the *Corporations Act 2001* and:
 - a) give a true and fair view of the financial position of the company and of the group as at 31 December 2015 and of its performance for the year ended on that date;
 - b) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - c) the financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1(a)(i)
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Clinton Carey
Managing Director

Melbourne, Victoria
31 March 2016

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT**THE MEMBERS OF
RED SKY ENERGY LIMITED****Report on the Financial Report**

We have audited the accompanying financial report of Red Sky Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Red Sky Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Red Sky Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 (v) to the financial statements which indicates that the consolidated entity and company incurred a loss of \$2,204,228 and \$1,946,526, respectively, for the financial year ended 31 December 2015 (31 December 2014: loss of \$1,807,819 and \$1,807,819, respectively). The consolidated entity reported net operating cash outflows of \$1,654,743 for the financial year ended 31 December 2015 (31 December 2014: net operating cash outflows of \$843,530). These conditions, along with other matters as set forth in Note 1(v), indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and, therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Financial Report

We have audited the Remuneration Report included in the directors' report for the financial year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Red Sky Energy Limited for the financial year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS



J S CROALL

Partner

31 March 2016
Melbourne, Victoria

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

SHAREHOLDERS (Fully Paid Ordinary) 17 March 2016

	NUMBER OF SHARES	Percentage
PATRICK RYAN MORRIS	520,231,304	8.97
SNOWCAP LIMITED PARTNERSHIP	520,231,304	8.97
ROBERT MORRIS	244,059,131	4.21
MUNGALA INVESTMENTS PTY LTD	223,333,334	3.85
CITICORP NOMINEES PTY LIMITED	211,065,342	3.64
ENERGY INFRASTRUCTURE AND RESOURCES PTY LTD	180,000,000	3.10
HALCYON CORPORATE PTY LTD	164,656,666	2.84
ERM POWER LIMITED	150,000,000	2.59
MR JOHN ANDREW RODGERS	150,000,000	2.59
PENAUSE PTY LTD	137,500,000	2.37
NORTHERN STAR NOMINEES PTY LTD	137,500,000	2.37
CYPRUS INVESTMENTS PTY LTD	131,619,131	2.27
ST BAKER INVESTMENTS PTY LTD	100,500,000	1.73
TERSTAN NOMINEES PTY LTD	100,000,000	1.72
PSK CONSULTING PTY LTD	100,000,000	1.72
WALTER ANTHONY MCNALLY	100,000,000	1.72
CYPRUS INVESTMENTS PTY LTD	86,619,781	1.49
RESOLVE GEO PTY LIMITED	80,000,000	1.38
BRAMSHOTT NOMINEES PTY LTD	63,583,333	1.10
NAILBRIDGE PTY LTD	60,833,332	1.05
TOP 20 SHAREHOLDERS	3,461,732,658	59.71
TOTAL ISSUED SHARES	5,798,056,921	100%

Distribution schedule of the number of fully paid ordinary shareholders in each class of equity security.

By Class	Holder of Ordinary shares	Number of Ordinary shares	Percentage
1 – 1,000	41	7,822	0.00
1,001 - 5,000	33	112,335	0.00
5,001 – 10,000	73	661,690	0.01
10,001 – 100,000	933	50,040,137	0.86
100,001 and over	1,316	5,747,234,937	99.13
Totals	2,396	5,798,056,921	100 %

Share options unlisted as at 17 March 2016

Total Number of Options	Exercise Price	Expiry Date
60,000,000	2.25 Cents	31/03/2016
100,000,000	0.9 Cents	20/12/2016

ADDITIONAL SHAREHOLDER INFORMATION

A. CORPORATE GOVERNANCE

Refer to the Company's Corporate Governance Statement at www.redskyenergy.com.au

B. SHAREHOLDING

1. Substantial Shareholders

The following substantial Shareholders were listed on the Company's register as at 17 March 2016.

Shareholder	Number of Shares	Percentage
SNOWCAP LIMITED PARTNERSHIP	520,231,304	8.97
PATRICK RYAN MORRIS	520,231,304	8.97

2. Unquoted Securities

There are no shareholders holding greater than 20% of a class of unquoted securities.

3. Number of holders in each class of equity securities and the voting rights attached.

At the general meeting, every ROG shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each share (which is fully paid). There are 2,396 holders of fully paid ordinary shares. The Company has no partly paid shares on issue.

4. Marketable parcel

There are 1,691 Shareholders with less than a marketable parcel as at 17 March 2016.

C. OTHER DETAILS

1. Company Secretary

Mr Adrien Wing

2. Address and telephone details of the entity's registered and administrative office

The address and telephone details of the registered and administrative office:

Level 17, 500 Collins Street
Melbourne VIC 3000

Telephone: + (61) 03 9614 0600
Facsimile: + (61) 03 9614 0550

3. Address and telephone details of the office at which a register of securities is kept

The address and telephone number of the office at which a registry of securities is kept:

Link Market Services Limited
Level 4, Central Park
152 St George Terrace
Perth WA 6000

Telephone: + (61) 08 9211 6670
Facsimile: + (61) 02 9287 0309

4. Stock exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange.

5. Restricted Securities

The Company has no restricted securities on issue.

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Red Sky Energy Limited

ABN / ARBN:

099 116 275

Financial year ended:

31 December 2015

Our corporate governance statement² for the above period above can be found at:³

These pages of our annual report:

This URL on our website: <http://redskyenergy.com.au/>

The Corporate Governance Statement is accurate and up to date as at 31 December 2015 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 31 March 2016

Name of Director authorising lodgement: Clinton Carey

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at http://redskyenergy.com.au/	
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>A copy of our diversity policy is available:</p> <p><input checked="" type="checkbox"/> at http://redskyenergy.com.au/</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁵
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our boards' skills and experience:</p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report at http://redskyenergy.com.au/</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our 2015 Annual Report at http://redskyenergy.com.au/</p>	
2.4	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

⁵ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁵
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that the Chair is not independent is provided: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> at http://redskyenergy.com.au/	
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁵
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> at http://redskyenergy.com.au/	
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://redskyenergy.com.au/	
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁶	
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

⁶ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁶
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: <input checked="" type="checkbox"/> in our 2015 Annual Report	
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: <input checked="" type="checkbox"/> in our 2015 Annual Report	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁶
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	